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25X1 1. Fritz Selbmann, deputy chief of the DWK (German Economic Commission), is reported to have said that all SAGs (Soviet Stock Companies) in the Russian zone are soon to be transferred to state ownership. They are then to be administered by the DWK without interference by Russian authorities at Karlshorst. Selbmann stated that only ten per cent. of the production of state-owned enterprises is to be taken by the SMA for reparations.

25X1 Comment: There have been numerous intelligence reports and newspaper predictions that various SAG plants are to be turned over to state ownership. For those that have actually been released by the Russians during the past year the primary reason appears to be that they were operating at a deficit. In almost all cases useful machinery was dismantled before transfer of the factories to German hands. The statement that reparations demands will be reduced to 10 % appears extremely unlikely.

25X1 2. 25X1 it is striking how little effort is made to expand the SAGs or to repair their buildings and machinery. 25X1 there is a general directive to all SAGs forbidding the investment of any funds in the SAGs. Thus, in the case of the Schkopau Buna plant, the Russian authorities appear to have no interest in increasing production, which is at present far below capacity. The chief of an SAG coal-briquette combine in Saxony-Anhalt expressed his belief that some such directive against investments exists.

25X1 3. 25X1 200 factories in the Russian Zone considered of prime importance are to be grouped in a super-trust to be administered by the DWK. In Thuringia the Zeiss plant at Jena, the Unterwellenborn steel plant, and the Henry Pels machinery plant at Erfurt are scheduled for inclusion in this group. Pels is at present still an SAG but is operating at a considerable deficit.

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25X1 [ ] 4. [ ] 1,200 firms became state owned in Thuringia on 12 April 1948. These firms had been under sequestration, but it had been anticipated that some 300 would be returned to their owners. The total number of enterprises in Thuringia (including one-man enterprises) is set [ ] at 6,000, of which 1,500 are now state-owned. These state-owned plants are to be administered by a separate ministry, which is expected to become much more important than the present Economic Ministry, which will have authority only over private enterprise.

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